Supreme Court, U.S.
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No. 97-1417

In the

Supreme Court of the United States

OCTOBER TERM, 1997

ALTAI, INC.,

Petitioner,

- against -

COMPUTER ASSOCIATES INTERNATIONAL, INC.,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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COUNTERSTATEMENT OF THE QUESTION PRESENTED

Whether, once a United States court has issued a final judgment adjudicating claims of copyright infringement under United States law, the defendant is entitled to an antisuit injunction against an action brought in a foreign country that is also a member of the Berne Convention by the United States plaintiff and a foreign plaintiff, under the foreign country's laws, for actions taking place in the foreign country, where the foreign action is brought against the defendant and a foreign defendant who was not a party to the United States action, and where the final judgment in the United States action has neither res judicata nor collateral estoppel effect on the foreign action.

CORPORATE DISCLOSURE STATEMENT PURSUANT TO SUPREME COURT RULE 29.6

Pursuant to Rule 29.6 of the Rules of the Supreme Court of the United States, plaintiff-appellee Computer Associates International, Inc. states that it has no parent companies, subsidiaries (except wholly owned subsidiaries) or affiliates that have issued shares to the public.

TABLE OF CONTENTS

Page

COUNTERSTATEMENT OF THE QUESTION PRESENTED i

CORPORATE DISCLOSURE STATEMENT ii

TABLE OF CONTENTS iii

TABLE OF AUTHORITIES v

COUNTERSTATEMENT OF THE FACTS 1

REASONS FOR DENYING THE WRIT 5

I. THE COURT OF APPEALS DECISION AFFIRMING THE DISTRICT COURT'S DENIAL OF ALTAI'S MOTION TO ENJOIN CA FROM PROSECUTING ITS FRENCH COPYRIGHT ACTION RAISES NO CONFLICT WITH ANY CIRCUIT'S EXISTING LAW 5

A. Res Judicata Does Not Prevent CA from Maintaining Its French Action, Which Is Based on Alleged Violations of French Copyright Law 5

B. CA Is Not Collaterally Estopped from Claiming That Oscar 3.5 Infringes Its French Copyright 6

C. Because Res Judicata and Collateral Estoppel Do Not Apply To CA's French Copyright Action, Altai Cannot Meet The Threshold Requirements Needed To Entertain A Motion Seeking A Foreign Antisuit Injunction 6

Page

D. Contrary To Altai's Assertions, No United States Circuit Would Grant The Foreign Antisuit Injunction It Seeks 8

II. ALTAI'S ARGUMENTS REGARDING THE APPROPRIATE STANDARD FOR GRANTING A FOREIGN ANTISUIT INJUNCTION ARE IRRELEVANT TO THE INSTANT PROCEEDING 10

III. THERE IS NO NEED FOR THIS COURT TO CLARIFY THAT THE BERNE-IMPLEMENTATION ACT DID NOT CHANGE UNITED STATES LAW 10

IV. THE DISTRICT COURT'S DECISION NOT TO ENJOIN CA'S FRENCH ACTION IS SUPPORTED BY SOUND POLICY CONSIDERATIONS 11

CONCLUSION 14

TABLE OF AUTHORITIES

Page

Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 10 F.3d 425 (7th Cir. 1993) 9

Black & Decker Corp. v. Sanyei America Corp., 650 F. Supp. 406 (N.D. Ill. 1986) 7

China Trade and Dev. Corp. v. M.V. Choong Yong, 837 F.2d 33 (2d Cir. 1987) 7

Computer Assocs. Int'l Inc. v. Altai, Inc., 126 F.3d 365, 171 (2d Cir. 1997) 5

Computer Assocs. Int'l Inc. v. Altai, Inc., 775 F. Supp. 544 (E.D.N.Y. 1991), *aff'd in part, vacated in part*, 982 F.2d 693 (2d Cir. 1992) 2

Computer Assocs. Int'l Inc. v. Altai, Inc., 950 F. Supp. 48 (E.D.N.Y. 1996), *aff'd*, 126 F.3d 365 (2d Cir. 1997) 1

Garpeg, Ltd. v. United States, 583 F. Supp. 789 (S.D.N.Y. 1984) 7

Kaepa, Inc. v. Achilles Corp., 76 F.3d 624 (5th Cir. 1996) 9, 10

Medtronic, Inc. v. Catalyst Research Corp., 518 F. Supp. 946 (D. Minn), *aff'd*, 664 F.2d 660 (8th Cir. 1981) 7

Mutual Serv. Cas. Ins. Co. v. Frit Indus., Inc., 805 F. Supp. 919 (M.D. Ala. 1992), *aff'd*, 3 F.3d 442 (11th Cir. 1993) 7

Stein Assocs., Inc. v. Heat & Control, Inc., 748 F.2d 653 (Fed. Cir. 1984) 7

Sun World, Inc. v. Lizararu Olivarria, 804 F. Supp. 1264 (E.D. Cal. 1992) 7

OTHER AUTHORITIES

Berne Convention for the Protection of Literary and Artistic Works (Paris Act 1971) 3-4, 11-12

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COUNTERSTATEMENT OF THE FACTS

The underlying facts and procedural history are set forth in the reported opinions of the court of appeals and district court below. *See Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 950 F. Supp. 48 (E.D.N.Y. 1996) ("Altai III"), *aff'd*, 126 F.3d 365 (2d Cir. 1997) ("Altai IV"). However, some of Altai's misstatements and mischaracterizations of facts require correction.

The United States Litigation

The United States District Court for the Eastern District of New York found that Altai had infringed Computer Associates International, Inc.'s ("CA") United States copyright when an Altai employee, a former CA employee, incorporated stolen CA computer source code into Altai's program, OSCAR 3.4. After CA filed suit, Altai modified the accused program and incorporated it into a new version, OSCAR 3.5. Because Altai conceded copyright liability with respect to OSCAR 3.4, the sole contested copyright liability issue was whether OSCAR 3.5 was sufficiently different from CA's copyrighted work to avoid infringement under United States copyright law.

Altai states that "CA was awarded worldwide damages [for infringement by OSCAR 3.4]," *see* Altai's Petition at 3, — incorrectly implying that CA had litigated, and the district court had decided, CA's French copyright claims. In reality, CA's complaint in the United States action alleged only infringing acts committed within the United States, in violation of United States copyright laws, *see* CA's Second Amended Complaint at ¶¶ 3, 60 (App. 234, 251), and Judge Pratt's ruling in *Computer Assocs. Int'l Inc. v. Altai, Inc.*, 775 F. Supp. 544 (E.D.N.Y. 1991) *("Altai I"), aff'd in part, vacated in part*, 982 F.2d 693 (2d Cir. 1992) ("Altai II"), did not address CA's French copyright claim but was directed solely to CA's claims under United States law.

The Proceedings in France

Altai also glosses over or ignores key facts about the French action. First, in contrast to the United States action, CA's French action is premised on acts committed in France by Altai and its French distributor, la Societe FASTER, S.A.R.L. ("FASTER"), acts which violated CA's rights under French copyright law. *See* App. 540-41, 554-61. Second, the parties in the French lawsuit are not the same — Altai's

French distributor, FASTER, is an additional defendant, and L'Agence pour la Protection des Programmes participated as a plaintiff in the action below, although it is not contesting the current appeal. Third, the Commercial Court in France has made several important rulings: (1) that the presence of the additional parties in the French suit prevents the application of res judicata to bar CA's French claims;[1] (2) that the legal standard for determining the scope of copyright protection afforded computer programs in France is *not* the same as in the United States;[2] and (3) that the Second Circuit's judgment as to CA's United States claims was *not* dispositive of CA's French claims.[3]

The Proceedings Below

Altai mischaracterizes the disposition below. Altai states that the Second Circuit's opinion "does not mention the Berne-Implementation Act," Petition at 13 — implying that the court of appeals somehow misapprehended the relevance of Berne.[4] Indeed, Altai claims that "[t]he Second Circuit's confusion appears to be grounded in a fundamental misperception about the effect of the Berne Convention on United States law..."

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[1] Commercial Court Ruling at 16 (App. 735).

[2] Commercial Court Ruling at 17 ("Whatever undeniable areas of convergence of rights there may be regarding protection in the two countries, this alleged identity [of legal standards] cannot be accepted.") (App. 736).

[3] Refusing to grant dispositive effect to the exequatur (the legal instrument recognizing the validity and enforceability in France of the court of appeal's judgment in *Altai I*, the Commercial Court wrote: "[T]he United States decision was made with reference to United States Law which, even if it is close to French law with regard to the protection of literary and artistic works, cannot be completely and immediately identified with French law without an analysis of the facts under French law." Commercial Court Ruling at 17 (App. 736).

[4] The reference is to the Berne Convention for the Protection of Literary and Artistic Works (Paris Act 1971) (hereinafter, the "Berne Convention").

But in letter briefs addressing the "Berne Convention issue," the parties agreed that neither the Berne Convention nor the Berne Convention Implementation Act changed United States law with respect to whether an antisuit injunction should issue under the facts of this case. In short, the "Berne Convention issue" was a "red herring" that did not affect the outcome of the case and, logically, the opinion below did not address this non-issue. Far from misapprehending the issue or, in Altai's words, "dangerously depart[ing] from traditional jurisdictional moorings," Petition at 24, the Second Circuit understood that the Berne Convention was irrelevant to the disposition of the appeal and accordingly did not discuss it.

REASONS FOR DENYING THE WRIT

I. THE COURT OF APPEALS DECISION AFFIRMING THE DISTRICT COURT'S DENIAL OF ALTAI'S MOTION TO ENJOIN CA FROM PROSECUTING ITS FRENCH COPYRIGHT ACTION RAISES NO CONFLICT WITH ANY CIRCUIT'S EXISTING LAW

As noted in the Counterstatement of Facts, the potential conflict between a domestic and foreign court that Altai discusses in its petition for writ of certiorari is not present in the instant case. As discussed *infra*, because Altai cannot meet the threshold criteria of any circuit regarding such a potential conflict, the balancing issues discussed by Altai (*e.g.*, international comity, vexatious litigation, etc.) do not arise.

A. Res Judicata Does Not Prevent CA From Maintaining Its French Action, Which Is Based On Alleged Violations Of French Copyright Law

The court of appeals held that res judicata does not prevent CA from maintaining its French copyright claims for two reasons: "(i) the infringing conduct which formed the basis of the French action occurred after the filing of the United States action; and (ii) the New York federal district court lacked personal jurisdiction over FASTER," the additional foreign defendant in CA's French action. *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 126 F.3d 365, 371 (2d Cir. 1997) ("*Altai IV*"). Altai does not challenge this holding on appeal.

B. CA Is Not Collaterally Estopped From Claiming That Oscar 3.5 Infringes Its French Copyright

The court of appeals affirmed the district court's decision that collateral estoppel does not bar CA from litigating its French copyright action. *Altai IV*, 126 F.3d. at 371. In considering Altai's argument below, the court of appeals noted that "[f]or collateral estoppel to apply, the issues in each action must be identical, and issues are not identical when the legal standards governing their resolution are significantly different." *Id.* (citations omitted). Altai does not challenge this holding on appeal.

The court of appeals rejected Altai's "superficial" argument that "the French standard for copyrightability of computer programs is not 'significantly different' from the standard applied in the United States because, as under United States copyright law, French law protects expression and not ideas". *Id.* The court of appeals also noted that the French Commercial Court agreed with its analysis, "refusing Altai's request to give the decision in the United States action dispositive effect" with regard to the French action. *Id.*

C. Because Res Judicata and Collateral Estoppel Do Not Apply To CA's French Copyright Action, Altai Cannot Meet The Threshold Requirements Needed To Entertain A Motion Seeking A Foreign Antisuit Injunction

The court of appeals' holding that the United States action does not apply as either res judicata or collateral estoppel to the French action dispels each of Altai's wishful references to an alleged final judgment of "worldwide" copyright claims, which is the core of Altai's argument. *See* Petitioner's Brief at i, 3, 6, 16, 24-28. As discussed *supra*, Altai is wrong in suggesting that resolution of CA's action under United States copyright law also resolved CA's action

under French copyright law. However only by arguing from this erroneous premise can Altai claim to skirt the preliminary threshold criteria, the application of which is fatal to its argument, to reach the balancing issues that it discusses in such depth.

In view of the destructive impact that a foreign antisuit injunction has on international comity, the Second Circuit, along with many other courts, has established two threshold criteria that must be met before a court may even *consider* enjoining a foreign litigation: (1) the parties in the domestic and foreign action must be the same; and (2) resolution of the domestic action must be "dispositive" of the foreign action sought to be enjoined. *China Trade and Dev. Corp. v. M.V. Choong Yong*, 837 F.2d 33, 35 (2d Cir. 1987).[5] With respect to Altai's suggestion that the circuits apply different tests (*i.e.*, "lax" versus "strict") for determining whether to grant a foreign antisuit injunction, it should be noted that in every case Altai cites, the final judgment at issue was clearly capable of being applied as res judicata or collateral estoppel. *See* cases cited in Petitioner's Brief at 16-19.

It is unchallenged on this appeal that the parties in the two litigations are not "the same," and that resolution of the United States action is "not dispositive" of the French action. Altai cannot apply the final judgment of CA's United States copyright action to bar CA's French copyright action under a claim of either res judicata or collateral estoppel. Therefore, notwithstanding Altai's extensive discussion of which

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[5] *See also, e.g., Stein Assocs., Inc. v. Heat & Control, Inc.*, 748 F.2d 653, 658 (Fed. Cir. 1984); *Mutual Serv. Cas. Ins. Co. v. Frit Indus., Inc.*, 805 F. Supp. 919, 921 (M.D. Ala. 1992), *aff'd*, 3 F.3d 442 (11th Cir. 1993); *Sun World, Inc. v. Lizarazu Olivarria*, 804 F. Supp. 1264, 1267 (E.D. Cal. 1992); *Black & Decker Corp. v. Sanyei America Corp.*, 650 F. Supp. 406, 408 (N.D. Ill. 1986) *Garpeg Ltd. v. United States*, 583 F. Supp. 789, 798 (S.D.N.Y. 1984); *Medtronic, Inc. v. Catalyst Research Corp.*, 518 F. Supp. 946, 955 (D. Minn.), *aff'd*, 664 F.2d 660 (8th Cir. 1981).

balancing test should apply *after* the threshold criteria are met, the analysis of Altai's motion for a foreign antisuit injunction actually ends here — with the threshold analysis.

The court of appeals recognized as much, concluding its analysis of Altai's argument without deciding "whether the *China Trade* [balancing] factors are inapplicable when a final judgment issues in a United States action because we hold that, in this case, the injunction is not necessary to protect our jurisdiction or the integrity of our judgment." *Altai IV*, 126 F.3d at 372. Focusing on the obvious inapplicability of the second threshold requirement, the court of appeals explained that "the action in this country involved violations of Computer Associates' United States copyright, and the French action involves violations of Computer Associates' French copyright." *Id.*

D. Contrary To Altai's Assertions, No United States Circuit Would Grant The Foreign Antisuit Injunction It Seeks

Altai's petition attempts to fashion a justiciable controversy out of a clause, offered as dicta, included in the court of appeals' conclusion denying Altai's motion for a foreign antisuit injunction: "[w]e can discern no basis for enjoining Computer Associates from pursuing its French action; *moreover, the interests of comity caution against such an injunction.*" *Altai IV*, 126 F.3d at 372 (emphasis added). Specifically, Altai argues that the court of appeals' "comity" language requires this Court to settle an alleged "circuit split" regarding the appropriate balancing test to use in determining whether to grant a foreign antisuit injunction, even though that issue is never raised in this case.

Someday a case may be presented to this Court that causes it to analyze the alleged circuit split regarding balancing, but this is not that case because, as the court of appeals held,

Altai's motion fails well before reaching the balancing stage of analysis.

Finally, CA responds to Altai's erroneous claim that "[h]ad Altai been able to ask for a foreign antisuit injunction from a district court in its home state of Texas in the Fifth Circuit or from a district court where its parent is located in Illinois in the Seventh Circuit, Altai likely would have obtained an injunction in 1990, when CA's copyright-infringement action was filed in France." Petitioner's Brief at 20.

The Fifth and Seventh Circuit cases that Altai relies on are *contract* cases such as *Allendale Mut. Ins. Co. v. Bull Data Sys., Inc.*, 10 F.3d 425 (7th Cir. 1993) and *Kaepa, Inc. v. Achilles Corp.*, 76 F.3d 624 (5th Cir. 1996), *cert. denied*, 117 S. Ct. 77 (1996), which are irrelevant where the two actions involve independent intellectual property rights granted under the laws of the respective fora.[6] *Contract* cases are inapposite because once a final judgment is reached in a *contract* case, the prevailing party has the ability to apply res judicata, collateral estoppel, or both in concurrent litigation in another country regarding the same *contract.*

Specifically, in *Allendale*, which Altai cites as if it aided its argument, the Second Circuit held that "[i]n these circumstances, where *inability to plead res judicata might deprive Allendale of the benefit of its judgment*, considerations of comity would not prevent a federal court, even under the strict cases, from enjoining the foreign defendants... from proceeding, in defiance of the judgment, in a foreign court". *See Allendale*, 10 F.3d 425, 433 (emphasis added).

The Fifth Circuit is equally unavailing to Altai's argument. In *Kaepa,* the Fifth Circuit held that "... a district court does

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[6] CA pointed out this crucial difference below. *See* CA's Brief in Opposition to Altai's Motion to Enjoin CA's French Copyright Claim at 27.

not abuse its discretion by issuing an antisuit injunction when it has determined 'that allowing simultaneous prosecution of the *same action*... would result in 'inequitable hardship'..." *Kaepa*, 76 F.3d 624, 627 (emphasis added).

Unlike in the contract cases that it cites, such as *Allendale* and *Kaepa*, Altai here is not facing any risk that the French court will wrongly refuse to entertain a claim of res judicata or collateral estoppel because CA's two copyright actions are utterly different. As summarized by the court of appeals, resolution of CA's "French action would in no way affect the decision rendered by a court of the United States." Altai IV, 126 F.3d at 372. Therefore, the threshold criteria necessary to entertain a motion for granting a foreign antisuit injunction are not met.

II. ALTAI'S ARGUMENTS REGARDING THE APPROPRIATE STANDARD FOR GRANTING A FOREIGN ANTISUIT INJUNCTION ARE IRRELEVANT TO THE INSTANT PROCEEDING

Altai's argument regarding the appropriate standard for granting a foreign antisuit injunction does not merit discussion because it is irrelevant to the present question.

III. THERE IS NO NEED FOR THIS COURT TO CLARIFY THAT THE BERNE-IMPLEMENTATION ACT DID NOT CHANGE UNITED STATES LAW

As is more fully explained in CA's letter brief to the Second Circuit dated March 26, 1997, the Berne Convention has no bearing on this matter, as it changes neither United States nor French domestic copyright law. The central tenet of the Berne Convention is "national treatment." *See* Berne Convention art. 5(1) ("Authors shall enjoy, in respect of works for which they are protected under this Convention, in

countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals..."). This means that an owner from one Berne nation of a copyright in another Berne nation has the same rights under that foreign nation's copyright law as a domestic owner of the same copyright would have. In other words, a United States owner of a French copyright has the same rights under that French copyright as would a copyright holder who was a French national. Berne does not make United States and French copyright law identical or give a United States owner of a French copyright the same rights it would have as to a *United States* copyright under *United States* copyright law.

Where, as here, a French copyright is infringed in France, the proper forum for adjudication is a French court. The fact that the owner of the French copyright is a United States entity is irrelevant.

IV. THE DISTRICT COURT'S DECISION NOT TO ENJOIN CA'S FRENCH ACTION IS SUPPORTED BY SOUND POLICY CONSIDERATIONS

The Court should consider the effects of adopting Altai's position that United States courts can and should decide all copyright claims — worldwide. United States courts would have to decide every patent, copyright or other intellectual property dispute arising between entities anywhere in the world, under the local law of every country, if any part of the dispute involved United States intellectual property rights. No matter if the foreign disputes arise out of acts committed in those foreign countries; no matter if the foreign disputes involve parties not before the United States court; no matter if the relevant intellectual property laws of the foreign countries are different from the United States law; Altai's position on appeal is that those foreign disputes *could have*

been brought in the United States suit and therefore their separate prosecution should be enjoined by United States courts. Should that position be accepted, United States plaintiffs would react predictably, and the federal district courts would spend their time dealing with legal experts on foreign law, problems of discovery in foreign countries, translations of foreign-language documents, and many other issues now left for the courts of those countries.

CONCLUSION

For the foregoing reasons, this Court should deny Altai's petition for writ of certiorari.

Dated: New York, New York
April 1, 1998

Respectfully submitted,

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